FILED
JAN 14 1980
MICHAEL RODAK, JR., CLERK

79-950

IN THE

Supreme Court of the United States

No. 79-050

IRVING S. SAVERSLAK, INDIVIDUALLY AND AS TRUSTEE UNDER TRUST AGREEMENT DATED OCTOBER 1, 1959, AS AMENDED,

Petitioner,

vs.

DAVIS-CLEAVER PRODUCE COMPANY, A MISSOURI CORPORATION,

Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO THE PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

JEROME F. FALLON,
JOHN W. CHESTNUT,
209 South LaSalle Street,
Chicago, Illinois 60604.
Attorneys for Respondent.

Gunthorp-Warren Printing Company, Chicago • Financial 6-6565

TABLE OF CONTENTS.

	PAGE
Argument	1
I. A "Best Efforts" Clause Is to Be a Shield for the Licensor, Not a Sword Against the Licensee	1
II. The Award of Damages for Trademark Non-Use When Saverslak Acquiesced in This Would Be Unfair	4
Conclusion	5

TABLE OF CASES.

Carbo-Frost Inc. v. Pure Carbonic Corp., 103 F. 2d 210 (1939) cert. den. 308 U. S. 569 (1939)	2
Eclipse Bicycle Co. v. Farrow, 199 U. S. 581 (1905)	1
Lear v. Adkins, 395 U. S. 653 (1969)	3
Mechanical Ice Tray Corporation v. General Motors Corporation, 144 F. 2d 720 (1944) cert. den. 324 U. S. 844 (1944)	2
Pasquel v. Owen, 186 F. 2d 263 (8th Cir. 1950)	4
Zenith Radio Corp. v. Hazeltine, 395 U. S. 100 (1969)	3

IN THE

Supreme Court of the United States

No. 79-050

IRVING S. SAVERSLAK, INDIVIDUALLY AND AS TRUSTEE UNDER TRUST AGREEMENT DATED OCTOBER 1, 1959, AS AMENDED,

Petitioner,

vs.

DAVIS-CLEAVER PRODUCE COMPANY, A MISSOURI CORPORATION,

Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO THE PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

ARGUMENT.

I.

A "BEST EFFORTS" CLAUSE IS TO BE A SHIELD FOR THE LICENSOR, NOT A SWORD AGAINST A LICENSEE.

Petitioner Saverslak misapplies the case law—in each of the three cases relied upon, the licensee wanted to keep the license, yet not pay under it. In the principal case of *Eclipse Bicycle Company* v. *Farrow,* 199 U. S. 581 (1905) we read at page 587:

"On February 15, 1898, it wrote to Farrow that it could not get a patent that was worth a pinch of snuff; but, so far from tendering a reconveyance, went on to say that if the work which the company was turning out 'holds up all right, we may be able to work your brake in with ours, but as to this it is uncertain and we doubt it.' Of course the defendant could not rescind the contract without returning what it had received under it. *So the contract remained in force.*" (Emphasis supplied.)

In *Carbo-Frost, Inc.* v. *Pure Carbonic,* 103 F. 2d 210 (8th Cir. 1939), we read at page 222:

"If he finds it expedient to purchase the competing device and sees fit to use it in place of the licensed device, he must pay royalty thereon. Otherwise he perpetrates a legal fraud on the licensor because he escapes (in whatever measure he desires) all liability to promote or exploit—thus he not only nullifies, at his pleasure, a provision of the license which is of vital importance to the licensor but *he retains control of the licensed device with no burden to himself.*" (Emphasis supplied.)

In *Mechanical Ice Tray Corporation* v. *General Motors Corp.,* 144 F. 2d 720 (2nd Cir. 1944) we read at page 725:

"If he sees fit to overcome the competition by purchasing the right to make the competing article, he cannot substitute the latter for the licensed device without thereby violating his covenant to exploit *so long as he retains an exclusive license.*" (Emphasis supplied.)

Here, respondent Davis-Cleaver did not want the license—for the reasons set down by the Trial Court (A26a-27a):

"There is no doubt that the ingenuity of the defendant in developing a salt-slurry process which avoided the Carlin patent, thus enabling it to market oven-roasted, boneless turkeys on a royalty-free basis, created for it a commercially attractive product and competitive advantage which it was good business to take advantage of. In this context, it cannot be said that defendant Davis-Cleaver/Central Soya was without legal justification for abandoning entirely

the Saverslak process and its license to utilize it, in favor of its own royalty-free process which gave it at least an equal if not a superior product and a clear competitive advantage. Under these circumstances, it cannot be concluded that a best-efforts clause in a contract would require a defendant to forego this competitive advantage in order to continue to pay royalties under a license agreement for a process it was no longer interested in using."

The particularly pressing matter—not referred to by petitioner—was the probable infringement of the Swift & Co. Carlin patent. This also covered the use of gluten as a binder for meat products including turkey, and was senior to Saverslak. The Carlin patent took longer to get through the Patent Office and was on appeal when Saverslak's patent issued. However, Saverslak lost a priority contest in the Canadian Patent Office to Carlin—but never told this to Davis-Cleaver.

So what Saverslak is attempting to do is *coerce* Davis-Cleaver into using his patent where it didn't want to. This runs squarely against this Court's holding in *Zenith Radio Corp.* v. *Hazeltine,* 395 U. S. 100, 136 (1969):

"Brulotte thus articulated in a particularized concept the principle that a patentee may not use the power of this patent to levy a charge for making, using, or selling products not within the reach of the monopoly granted by the Government."

So what the case law on "best efforts" stands for is that the licensee cannot play "dog in the manger". The licensor is entitled to use this clause as a shield against the fraud that would otherwise be perpetrated on him—and cancel the license, but not extort royalties on a non-patented product. This is in accord with the rationale of *Lear* v. *Adkins,* 395 U. S. 653, 670 (1969):

"Surely the equities of the licensor do not weight very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain."

II.

THE AWARD OF DAMAGES FOR TRADEMARK NON-USE WHEN SAVERSLAK ACQUIESCED IN THIS WOULD BE UNFAIR.

Each year during the period Davis-Cleaver was making gluten bound turkey rolls (1959-1970), Saverslak visited the plant in Quincy, Illinois and each time took home a Davis-Cleaver turkey roll (App. 5a). Each roll was fully labeled in accordance with U. S. D. A. requirements. Thus, in the period 1963-1970 he saw clearly that there was no use of his trademark "MAXLOTTE". He could have cancelled the license but chose not to do so—any subsequent infringement suit would have started a prior art search, with the uncovering of the Carlin patent and invalidation of Saverslak's patent. So Saverslak did nothing—but collected about $40,000 each year.

Saverslak's brief fails to mention that the trademark discontinuance was occasioned by Saverslak's going into the turkey roll business on his own—so that the license was no longer exclusive. Admittedly, he retained that right, but Davis-Cleaver was loathe to advertise a competitor. At that juncture, Saverslak should have cancelled—or at least threatened cancellation, but he did nothing—continuing to take his $40,000 a year under the patent license.

This election, really a rewriting of the contract, parallels that in *Pasquel* v. *Owen*, 186 F. 2d 263 (8th Cir. 1950). In that case, the Court permitted the defense of waiver. Under *Pasquel's* inducement, Mickey Owen, one-time Cub catcher jumped to the Mexican league in 1946 to be player-manager. After serving as player-manager for a time, he was removed as manager but continued to play—and at the same salary. It was held that he waived any damages for not being continued as manager, the Court saying at page 270:

> The evidence is without dispute not only that defendant had under this contract acted as manager only for a period

> of some five or six weeks but it is equally without dispute that after he was relieved from his duties as manager he continued to perform his duties as a player and to receive his compensation as such for a period of four or five weeks. He did not communicate with the plaintiff as he might have done. He registered no complaint so far as the plaintiff knew and he gave no intimation to plaintiff that he was dissatisfied or intended to abandon the contract because of its alleged breach."

The Court then went on to say that

> "any act indicating an intention to continue under the contract will operate as a conclusive election."

Saverslak reiterates that 4 letters of complaint were sent—but each of these were at the time when the size of the MAXLOTTE mark was reduced. There was nothing said after the mark had been removed altogether.

Saverslak also criticizes the Court of Appeals for "speculation" in not fixing the "point of 'intentional' relinquishment" (Brf. p. 17). That would be as useful as trying to determine the time the leak started when the tire is flat.

CONCLUSION.

It is respectfully requested that the petition be denied.

Respectfully submitted,

JEROME F. FALLON,
JOHN W. CHESTNUT,
TILTON, FALLON, LUNGMUS
& CHESTNUT,
209 South LaSalle Street,
Chicago, Illinois,
312/263-1841.
Attorneys for Respondent.